

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT
SACRAMENTO LGBT COMMUNITY CENTER
FISCAL MONITORING
AGREED-UPON PROCEDURES
DEPARTMENT OF HEALTH SERVICES



Audit Committee Submittal Date: 11/09/2023

SUMMARY

Background

This fiscal monitoring Agreed-Upon Procedures was requested by Department of Health Services (DHS) as Sacramento LGBT Community Center (Sacramento LGBT) was assessed as one of the high risk subrecipients based on DHS' subrecipient risk assessment.

Sacramento LGBT is a nonprofit organization in the Sacramento area that provide services, resources, support, education, and advocacy for the Lesbian, Gay, Bisexual, Transgender, and Intersex community. Internal Audit Unit performed this Agreed-Upon Procedures engagement for four (4) Behavior Health Program contracts for the agreement period July 1, 2019 to June 30, 2021 and a Public Health Program contract for the agreement period September 1, 2020 to June 30, 2021.

Audit Objective

To assist DHS in assessing Sacramento LGBT's financial condition and compliance with the agreements between DHS and Sacramento LGBT, and to verify that monthly invoices submitted by Sacramento LGBT are accurate and reasonable.

Summary

Based on our agreed-upon procedures performed, we noted exceptions in the areas of Sacramento LGBT's internal controls, audited financial statements, claim submission, and general ledger.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Services
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

October 26, 2023

Mr. Timothy Lutz, Director
Department of Health Services
County of Sacramento
7001-A East Parkway, Suite 1100
Sacramento, California 95823

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dear Mr. Lutz:

We have performed the procedures, enumerated below, which were requested and agreed to by your department regarding Sacramento LGBT Community Center (Sacramento LGBT)'s fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

➤ Behavioral Health Services:

Youth Mental Health Respite Program

- 7202100-20-090 for the Agreement Period July 1, 2019 to June 30, 2020 (AP 19-20)
- 7202100-21-090 for the Agreement Period July 1, 2020 to June 30, 2021 (AP 20-21)

Adult Mental Health Respite Program

- 7202100-20-091 for AP 19-20
- 7202100-21-091 for AP 20-21

➤ Public Health:

Ryan White Program

- 7207500-21/23-380 for AP 20-21

Mr. Timothy Lutz, Director
October 26, 2023

This agreed-upon procedures engagement was conducted to assist the Department of Health Services (DHS) to assess Sacramento LGBT's financial condition and compliance with the above Agreements.

DHS' management is responsible for monitoring Sacramento LGBT's compliance with the Agreements' requirements. The sufficiency of the procedures is solely the responsibility of DHS' management. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 and 3 of this report either for the purpose for which this report has been requested or for any other purposes. This report is applicable solely to the Agreements referred above and is not intended to pertain to any other agreements of DHS or Sacramento LGBT.

The procedures performed and our findings were as follows:

1. Internal Controls - We reviewed Sacramento LGBT's written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation. We also reviewed Sacramento LGBT's written procedures for client admissions and releases, program eligibility verification, and services provided for its programs listed in the Agreements.

Result: We noted an exception from our review of Sacramento LGBT's internal controls. See ATT 2 – *Current Findings and Recommendations*.

2. Financial Statements - We inspected Sacramento LGBT's financial audit report for the fiscal year ended December 31, 2019 and 2020 to identify any concerns or issues that require your attention. We attempted to inspect Sacramento LGBT's financial audit report for the fiscal year ended December 31, 2021. However, due to the fact that Sacramento LGBT did not complete the Fiscal Year (FY) 2021 audit, we could not inspect the FY 2021 audit report.

Result: We noted exceptions from our review of Sacramento LGBT's audit reports. See ATT 2 – *Current Findings and Recommendations*.

3. Claim Submissions - We inspected Sacramento LGBT's monthly invoice claims for months indicated below:

- 7202100-20-090 (AP 19-20): September 2019 and April 2020
- 7202100-21-090 (AP 20-21): December 2020 and June 2021
- 7202100-20-091 (AP 19-20): September 2019 and June 2020
- 7202100-21-091 (AP 20-21): December 2020 and June 2021
- 7207500-21/23-380 (AP 20-21): January 2021, February 2021 and March 2021

We selected and tested 35 budget line items from Behavior Health Program (Cost Reimbursement) and 6 budget line items from Public Health Program (Cost Reimbursement) from the selected months as applicable.

Result: We noted exceptions from our review of claim submissions for our sample months. See ATT 2 – *Current Findings and Recommendations*.

4. General Ledger - We attempted to trace Sacramento LGBT's invoice claims to its general ledger for the sample months selected for testing and for the two (2) agreement periods under review. However, we did not trace Sacramento LGBT's invoice claims to its general ledger as invoice claims and general ledger did not reconcile. We compared and noted differences between invoice claims and general ledgers for sample months.

Result: We noted that general ledger and invoice claims for sample months did not reconcile and there were issues related to completeness of general ledger records. See ATT 2 – *Current Findings and Recommendations*.

5. Cost Allocations - We reviewed Sacramento LGBT's cost allocation policies and procedures. We tested expenses for staff with distributed time under program services and allocated positions. We attempted to test the transactions listed in Item 3 above to identify any issues related to cost allocations. However, we did not perform these procedures as Sacramento LGBT's general ledger and invoice claims were not reconciled for program operating expenses budget line items and the other allocated expenses budget line item.

Result: We noted exceptions from testing costs for program personnel with distributed time under program services and allocated positions. See ATT 2 – *Current Findings and Recommendations*.

6. Funding Sources – We made inquiries to Sacramento LGBT's management to identify any funding sources other than DHS for its programs. We inspected Sacramento LGBT's general ledger and invoice claims for the months indicated in item 3 on page 2 to identify any inappropriate or duplicated charges.

Result: We did not note any exception as a result of the procedures. However, as described in Finding #2b at ATT 2 – *Current Findings and Recommendations*, Sacramento LGBT's independent auditor noted potential for double billings between County of Sacramento and a State agency.

This agreed-upon procedures engagement was conducted in accordance with the standards for attestation engagements contained in *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on Sacramento LGBT's financial statements or schedules, or internal controls, or compliance with the Agreements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Mr. Timothy Lutz, Director
October 26, 2023

DHS' management responses to the findings identified during our engagement are described in ATT 2 – *Current Findings and Recommendations*. We did not perform procedures to validate DHS' management responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and DHS' management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Chief of Audits

Enclosures:

ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned*
ATT 2 – *Current Findings and Recommendations*

County of Sacramento
 Department of Health Services
 Sacramento LGBT Community Center
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned
 For the Agreement Periods July 1, 2019 to June 30, 2021

<u>Program/Contract No./Agreement Period (AP)</u>	<u>Current Budget</u>	<u>Amount Claimed & Paid ¹</u>	<u>Total Amount Tested</u>	<u>Total Disallowed ²</u>	<u>Total Questioned Costs ³</u>
Youth Mental Health Respite Program 7202100-20-090 and 7202100-21-090					
AP 19-20	\$ 178,020.00	134,340.95	23,901.70	573.58	127,599.36
AP 20-21	178,020.00	177,566.55	27,193.12	1,313.05	176,253.50
Total	\$ 356,040.00	311,907.50	51,094.82	1,886.63	303,852.86
Adult Mental Health Respite Program 7202100-20-091 and 7202100-21-091					
AP 19-20	\$ 151,500.00	128,349.31	21,172.10	1,528.78	122,601.73
AP 20-21	151,500.00	151,059.07	17,197.16	3,843.14	147,215.93
Total	\$ 303,000.00	279,408.38	38,369.26	5,371.92	269,817.66
Ryan White Program 7207500-21/23-380					
AP 20-21	\$ 13,140.00	3,842.00	3,842.00	30.90	
Grand Total	\$ 672,180.00	595,157.88	93,306.08	7,289.45	573,670.52

¹ Represent amount claimed by Sacramento LGBT Community Center and paid by Department of Health Services.

² Total Disallowed documented in Findings #3b, #3c, and #4a at ATT 2 - *Current Findings and Recommendations*.

³ Total Questioned Costs documented in Finding #4a at ATT 2 - *Current Findings and Recommendations*.

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1. INTERNAL CONTROL

a. Record Retention and Supporting Documentation

Condition

We requested Sacramento LGBT Community Center (Sacramento LGBT) staff to provide payroll taxes and benefits cost calculation for its program personnel. Sacramento LGBT staff did not provide supporting documentations for the payroll taxes and benefits claimed for seven (7) out of 11 invoice claims. See Finding #3b Item III and VI. Additionally, during review of general ledger records, we noted claimed amounts for these two budget line items were not substantiated by Sacramento LGBT's general ledger, see Finding #4a.

We also requested Sacramento LGBT staff to explain how personnel expenses were allocated on submitted invoice claims. Sacramento LGBT staff did not provide breakdown (staff and budgeted number of Full-Time Equivalents "FTEs") for allocated personnel expenses for three (3) out of 11 invoice claims. See Finding #3b Item V.

Criteria

Per the Agreements, *"CONTRACTOR (Sacramento LGBT) shall maintain for four (4) years following the termination of this Agreement full and complete documentation of all services and expenditures associated with performing the services covered under this Agreement. Expense documentation shall include: time sheets or payroll records for each employee; receipts for supplies; applicable subcontract expenditures; applicable overhead and indirect expenditures.*

Effect

Without full and complete documentation of all expenses associated with performing the services covered under these Agreements, both Sacramento LGBT and Department of Health Services (DHS) could not verify that the invoice claims were complete and accurate.

Recommendation

We recommend DHS follow-up with Sacramento LGBT regarding maintenance of full and complete documentation for all claims. DHS may consider requesting Sacramento LGBT to provide supporting documentations with invoice claims for current (active) and future contract agreements.

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DHS Management's Response

DHS will follow-up with Sacramento LGBT regarding maintenance of full and complete documentation for all claims. DHS will also ensure the invoice submission has complete supporting documentation for all invoice claims.

2. FINANCIAL STATEMENTS

a. Timing of Submission

Condition

Sacramento LGBT's audited financial statements for fiscal years ended December 31, 2019 (2019) and December 31, 2020 (2020) were provided to DHS as of September 11, 2020 and October 15, 2021, respectively. Sacramento LGBT submitted its 2019 and 2020 audited financial statements after the required due date per Agreements. Sacramento LGBT did not request audit extensions for either year. Additionally, as of December 5, 2022, we noted that the audited financial statements for the fiscal year ended December 31, 2021 (2021) was not completed. The deadline to submit was June 30, 2022.

Criteria

Section X Audit/Review Requirements, Part (E) Submittal and Due Dates for Audits or Reviews, require that *"CONTRACTOR (Sacramento LGBT) shall provide to COUNTY three copies of the Audit or Review as required in this section, due six months following the end of CONTRACTOR'S (Sacramento LGBT's) fiscal year."* As Sacramento LGBT's fiscal year end is December 31, Sacramento LGBT is required by the Agreements to submit by June 30 each year.

Part (F) Request for Extension of Due Date noted, *"CONTRACTOR (Sacramento LGBT) may request an extension of the due date for the Audit or Review in writing."*

Effect

Late submission of audited financial statements resulted in non-compliance with the Agreements. DHS did not have timely financial audit reports available to assess Sacramento LGBT's financial condition and compliance with the Agreements.

Recommendation

DHS should follow up with Sacramento LGBT when audited financial statements are not received by the required due date.

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DHS Management's Response

DHS will send a reminder when financial statements are not received by the required due date. DHS will also follow up if no response is given to the reminder. DHS will reiterate to the provider to request for audit extension in advance if they are anticipating a delay to meet financial statements submission deadline.

b. Issues Noted

Condition

Based on review of Sacramento LGBT's 2019 and 2020 audited financial statements, we noted the following:

- **Qualified (Modified) Opinion on 2019 Audit Report:** Sacramento LGBT's independent auditor issued a qualified (modified) opinion on Sacramento LGBT's 2019 audit report because the auditor was unable to obtain sufficient appropriate audit evidence about the amounts billed and collected by Sacramento LGBT for government reimbursement contracts.
- **Inconsistency:** Sacramento LGBT's 2020 audit report included 2019 financial information as comparative information. On the 2020 audit report, the same independent auditor stated that they previously audited Sacramento LGBT's 2019 financial statements, and expressed an unmodified opinion on 2019 audit report. We noted inconsistencies between the independent auditor's 2019 auditor's opinion on 2019 and 2020 audit reports.
- **2019 Audit Issues:**
 - The independent auditor considered Sacramento LGBT's internal controls to be a material weakness deficiency for charging costs to contracts and grants in the 2019 audit report. County of Sacramento, City of Sacramento and a State agency's contract claims were included in the questioned grants.
 - The independent auditor noted issues with claim preparation for government reimbursement claims to the County of Sacramento and other governmental agencies. The independent auditor noted that some of Sacramento LGBT's government claimed expenses did not agree to expenses shown in its general ledger.

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- The independent auditor's previous 2018 audit issue update indicated that Sacramento LGBT had issues in 2018 for accounting adjustments and charging costs to contracts and grants (billed based on budget and not actual costs) for County of Sacramento and a State agency. These issues could cause double billings for County of Sacramento and the State agency. The independent auditor did not indicate whether the previous 2018 issues had been resolved.
- Sacramento LGBT did not provide responses to our inquiries about the status of 2019 comments issued to management by the independent auditor.
- **2020 Audit Issues:**
 - There were two (2) findings documented in the 2020 Single Audit report. Findings were related to number and size of financial statement adjustments required and cost allocation method. Specifically, human resource expenses allocated by budget or estimate without reference to actual timesheet data.
 - Based on finding related to the number and size of financial statements adjustments required, the independent auditor considered Sacramento LGBT's internal control over major programs for Federal Awards to be a significant deficiency. The finding related to cost allocation method resulted in an instance of non-compliance.
 - Sacramento LGBT did not provide responses to our inquiries about the status of 2020 findings. Since the 2021 audit report was not completed, we could not review the 2021 audit report and status of prior year findings from the 2020 audit report to verify implementation of the corrective action plan.

Criteria

Per the Uniform Guidance §200.511 part (a), *"The auditee (Sacramento LGBT) is responsible for follow-up and corrective action on all audit findings..."*

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Effect

Concerns and issues noted in Sacramento LGBT's audited financial statements may have an impact on the accuracy of invoice claims submitted to DHS for payment during the period under review.

Recommendation

Sacramento LGBT should correct findings in a timely manner and provide implementation status of the findings and management comments documented on independent auditor's reports.

DHS Management's Response

DHS will ensure Sacramento LGBT correct findings in a timely manner and provide implementation status of findings and management comments. DHS will ensure Sacramento LGBT provide the management letter and management's correction action plan.

3. CLAIM SUBMISSIONS

a. Timing of Submission and Review Process

Condition

In reviewing claim submissions for the three (3) Sacramento LGBT programs for Agreement Period (AP) 19-20 and AP 20-21, we noted that nine (9) out of 11 monthly invoice claims were submitted late (see Table 1 on page 6) and one (1) invoice claim for Adult Mental Health Services had an incorrect agreement number listed.

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Table 1: Programs with Late Claim Submissions

Program	Claim Month/Year	Due Date	Submission Date*
Youth Mental Health Respite Services	September 2019	October 15, 2019	October 18, 2019
Youth Mental Health Respite Services	April 2020	May 15, 2020	June 4, 2020
Youth Mental Health Respite Services	December 2020	January 15, 2021	January 21, 2021
Adult Mental Health Respite Services	September 2019	October 15, 2019	October 18, 2019
Adult Mental Health Respite Services	June 2020	July 15, 2020	September 18, 2020
Adult Mental Health Respite Services	December 2020	January 15, 2021	January 21, 2021
Ryan White CARE Program	January 2021	February 10, 2021	April 1, 2021
Ryan White CARE Program	February 2021	March 10, 2021	April 1, 2021
Ryan White CARE Program	March 2021	April 10, 2021	April 15, 2021

* Submission date is based on Sacramento LGBT's signature date when certifying monthly invoice claims submitted to Department of Health Services.

Criteria

Per Agreements for Youth Mental Health Respite Program and Adult Mental Health Respite Program, *"CONTRACTOR (Sacramento LGBT) shall submit an invoice on the forms and in accordance with the procedures prescribed by COUNTY on a monthly basis. Invoices shall be submitted to COUNTY no later than the fifteen (15th) day of the month following the invoice period..."*

Per Agreement for the Ryan White CARE Program, *"CONTRACTOR (Sacramento LGBT) shall submit a monthly invoice on the forms and in accordance with the procedures prescribed by Sacramento County Department of Health Services, Ryan White CARE Program. Unless otherwise provided, invoices shall be submitted to the COUNTY no later than the tenth (10th) day of the month following the invoice period..."*

Effect

Late claim submissions may impact DHS' payment processes and reporting requirements. Timing of claim submissions resulted in non-compliance with Agreements.

Incorrect agreement number listed on invoice claim form resulted in non-compliance with the terms of the Agreement. This can lead to potential claims against the wrong Agreement if DHS had not correctly identified the agreement number when processing this invoice.

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Recommendation

We recommend DHS remind Sacramento LGBT to submit monthly claims in an accurate and timely manner as required by the Agreement.

DHS Management's Response

DHS will follow-up with Sacramento LGBT for procedures to ensure monthly claims are accurate and submitted timely.

b. Youth/Adult Mental Health Respite Program – Personnel Costs

Condition

During our testing and inspection of the Youth Mental Health Respite Program (Youth Program) and Adult Mental Health Respite Program (Adult Program) invoice claims for our sample months from AP 19-20 and AP 20-21, we noted issues related to claiming personnel costs based on budget rather than actual costs and maintaining supporting documentations for claims. Table 2 below and Table 3 on page 8 summarized budget line items, issues, and amounts for disallowed and questioned personnel costs for the Youth Program and Adult Program.

Table 2: Disallowed and Questioned Personnel Costs for Youth Program

Items	Issues Noted for Youth Program	AP 19-20	AP 20-21	Total
Disallowed Costs				
Program Personnel	<ul style="list-style-type: none"> ▪ Over claimed based on review of actual time per timesheet reports for four (4) sample months. 	\$ 532.82	1,258.23	1,791.05
Payroll Taxes	<ul style="list-style-type: none"> ▪ Over claimed payroll taxes due to issues listed above. 	40.76	54.82	95.58
		\$ 573.58	1,313.05	1,886.63
Questioned Costs				
Payroll Taxes	<ul style="list-style-type: none"> ▪ Recalculated amounts from testing did not agree with claims. ▪ Calculations/supporting documentations were not provided. 	\$ 186.51	224.61	411.12
Benefits	<ul style="list-style-type: none"> ▪ Calculations/supporting documentations were not provided. 	1,454.86	2,125.56	3,580.42
Allocated Personnel	<ul style="list-style-type: none"> ▪ Breakdown (staff positions and number of FTEs) were not provided. ▪ Missing payroll record for one (1) employee. 	1,917.96		1,917.96
			350.50	350.50
		\$ 3,559.33	2,700.67	6,260.00 *

* Included in the Total Questioned Costs column at Finding #4a.

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Disallowed costs totaled \$1,886.63 for the two-year period. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned*. Questioned costs totaled \$6,260.00 for the two-year period. Questioned costs from testing were included under Finding #4a as we had to question all claims submitted.

Table 3: Disallowed and Questioned Personnel Costs for Adult Program

Items	Issues Noted for Adult Program	AP 19-20	AP 20-21	Total
Disallowed Costs				
Program Personnel	<ul style="list-style-type: none"> ▪ Over claimed based on review of actual time per timesheet reports for four (4) sample months. ▪ Salary claimed for one (1) employee without records of hours worked for this program. 	\$ 1,375.40	1,499.84	2,875.24
			2,095.66	2,095.66
Payroll Taxes	<ul style="list-style-type: none"> ▪ Over claimed payroll taxes due to issues listed above. 	153.38	247.64	401.02
		\$ 1,528.78	3,843.14	5,371.92
Questioned Costs				
Payroll Taxes	<ul style="list-style-type: none"> ▪ Recalculated amounts from testing did not agree with claims. ▪ Calculations/supporting documentations were not provided. 	\$	140.18	140.18
Benefits	<ul style="list-style-type: none"> ▪ Calculations/supporting documentations were not provided. 	682.86	1,557.19	2,240.05
Allocated Personnel	<ul style="list-style-type: none"> ▪ Breakdown (staff positions and number of FTEs) were not provided. ▪ Missing payroll record for one (1) employee. 	1,539.84		1,539.84
			380.85	380.85
		\$ 2,222.70	2,078.22	4,300.92 *

* Included in the Total Questioned Costs column at Finding #4a.

Disallowed costs totaled \$5,371.92 for the two-year period. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned*. Questioned costs totaled \$4,300.92 for the two-year period. Questioned costs from testing were included under Finding #4a as we had to question all claims submitted.

Criteria

Per the Agreements, “COUNTY shall pay a CONTRACTOR (Sacramento LGBT) a sum not to exceed the lesser of: 1) The amount indicated in Section I.A. Maximum Payment to CONTRACTOR (Sacramento LGBT) of this Exhibit C (this maximum payment amount by funding source may be modified in accordance with Paragraph IV.B, or 2) The actual gross cost of services provided under this Agreement determined in accordance with the procedures and audit provisions set forth in Paragraph XX of this Agreement and Section I and Section II of this Exhibit C.”

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Effect

Sacramento LGBT submitted inaccurate invoice claims to DHS resulting in over claiming.

Recommendation

Sacramento LGBT should claim actual costs of services and not submit claims to DHS based on budgeted expenses. Sacramento LGBT should also reconcile invoice claims to its financial records and thoroughly review its invoice claims to check for any errors prior to submitting the claims to DHS and maintain adequate supporting documentation for all expenses/services claimed. We recommend DHS contact Sacramento LGBT to develop an arrangement to resolve these disallowed and questioned costs.

DHS Management's Response

DHS will follow-up with Sacramento LGBT to ensure they claim actual costs of services rather than based on budget. DHS will also follow-up with Sacramento LGBT to ensure they reconcile invoice claims to their financial records and thoroughly review them prior to submission to DHS. DHS will meet with Sacramento LGBT to resolve the disallowed and questioned costs.

c. Ryan White Program

Condition

We tested all invoice claims submitted by Sacramento LGBT to DHS for the Ryan White Program and traced claimed amounts to the general ledger. For the one (1) employee assigned to the Ryan White Program, we noted differences between claimed amounts for payroll taxes. We requested Sacramento LGBT staff to provide supporting documentation for the January 2021 payroll taxes. However, no supporting documentation was provided to justify the differences. Accordingly, we considered \$30.90 in payroll taxes claimed in January 2021 as disallowed costs. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned*.

Criteria

Per the Uniform Guidance §200.430 part (i), Standards for Documentation of Personnel Expenses, *“Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.”*

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Effect

Sacramento LGBT could not substantiate this invoice claim submitted to DHS. Accordingly, Sacramento LGBT submitted inaccurate invoice claims to DHS resulting in over claiming.

Recommendation

Sacramento LGBT should maintain adequate supporting documentation for all expenses/services claimed as required by the Agreement. We recommend DHS contact Sacramento LGBT to develop an arrangement to resolve the disallowed costs.

DHS Management's Response

DHS agrees with the recommendation that Sacramento LGBT should maintain adequate supporting documentation for all expenses/services claimed as required by the Agreement. DHS has reviewed the general ledger and benefit documents sent by Sacramento LGBT center. It appears the disallowed costs for \$30.90 claimed have been accounted for with the supporting documentation supplied.

4. GENERAL LEDGER

a. Reconciliations and Record Entries

Condition

We requested Sacramento LGBT to provide reconciliation of general ledger and invoice claims by month and AP under review. However, Sacramento LGBT did not provide any reconciliation reports to us. It was not feasible to compare general ledger and invoice claims for the two (2) APs since general ledger and invoice claims did not reconcile. Based on review of Sacramento LGBT's general ledger, it appeared that Sacramento LGBT combined a bank asset account, accounts payable and credit card liabilities accounts, and numerous expense accounts to arrive at amounts listed on its invoice claims. Without proper reports to show general ledger accounts included in the respective budget line items and budget sections for these invoice claims, we could not compare and determine if Sacramento LGBT's general ledger supported the submitted invoice claims.

In addition, we noted the following issues:

- Inclusion of expenses from prior contract period.
- Incomplete general ledger records for contracts under review.

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- Inclusion of expenses that did not agree with approved budget line item.
- Changed accounts used to record allocated expenses during the AP.
- Several personnel costs claimed not reflected in general ledger for sample months.
- Transaction records for sample months generally did not match individual staff wages for the pay period or all staff for the pay period collectively.

Due to the above issues, we are not able to perform procedures to determine whether Sacramento LGBT's majority of invoice claims are supported by its general ledger. We were only able to match \$6,168.01 expenses from invoice claim to the general ledger for the Youth Program in AP 19-20 and \$4,218.80 expenses from invoice claims to the general ledger for the Adult Program in AP19-20. We were not able to match any expenses from invoice claims to general ledger records for both Youth and Adult Programs in AP 20-21. As such, we are questioning all claims submitted by Sacramento LGBT less total disallowed costs from testing and amounts that matched general ledger records identified above. See below in Table 4 and Table 5 on page 12 for total questioned costs for these two (2) programs. Questioned costs from testing documented at Finding #3b in Tables 2 and 3 are included in total questions costs in Table 4 below and Table 5 on page 12.

Table 4: Sacramento LGBT's Questioned Costs for Youth Program

	A	B	C	D = A - B - C
		Total		Total
Program/Agreement Period (AP)	Total Claimed	Disallowed from Testing	Adjustments	Questioned Costs
Youth Program/AP 19-20	\$ 134,340.95	573.58	6,168.01	127,599.36
Youth Program/AP 20-21	177,566.55	1,313.05		176,253.50
Total	\$ 311,907.50	1,886.63	6,168.01	303,852.86 *

* Included questioned costs from testing listed in Finding #3b.

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Table 5: Sacramento LGBT's Questioned Costs for Adult Program

	A	B	C	D = A - B - C
		Total Disallowed		Total Questioned
Program/Agreement Period (AP)	Total Claimed	from Testing	Adjustments	Costs
Adult Program/AP 19-20	\$ 128,349.31	1,528.78	4,218.80	122,601.73
Adult Program/AP 20-21	151,059.07	3,843.14		147,215.93
Total	\$ 279,408.38	5,371.92	4,218.80	269,817.66 *

* Included questioned costs from testing listed in Finding #3b.

Total questioned costs for Youth Program was \$303,852.86 and total questioned costs for Adult Program was \$269,817.66. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned*.

Criteria

Proper internal controls indicate general ledger should agree to the monthly invoice claims. The general ledger should be reconciled to the invoice claims on a monthly basis. Any differences should be researched and resolved in a timely manner, and any late general ledger adjustments should be reflected in the following month's invoice claim.

Per Exhibit G to the Agreement, Mental Health Cost Settlement, *"Cost Reporting, Cost Settlement, and Audits are performed after the termination date of the Agreement."* Section II Part A stated that, *"CONTRACTOR (Sacramento LGBT) or COUNTY shall reimburse the other party, as indicated by the reconciled Cost Report described in Section I of this Exhibit."* Section II Part B stated that, *"Costs will be settled to the lesser of actual and allowable costs or published charges, but not exceeding the Fiscal Year 2011/12 Statewide Maximum Allowable (SMA) and not exceeding the maximum amount of this Agreement."*

Section IV Part E noted that, *"Notwithstanding any other provision of this Agreement, CONTRACTOR (Sacramento LGBT) shall hold COUNTY harmless from and against any loss to CONTRACTOR (Sacramento LGBT) resulting from any such State denials, unresolved claims, and/or Federal and/or State and/or COUNTY audit disallowances or findings for services funded by Title 9 Short-Doyle/Medi-Cal, and/or other grants/public funds which exceeds County responsibility as defined in Exhibit C."*

County of Sacramento
Department of Health Services
Sacramento LGBT Community Center
Fiscal Monitoring Review
Current Findings and Recommendations
For the Periods July 1, 2019 to June 30, 2021

Effect

By not reconciling the general ledger to the invoice claims, Sacramento LGBT could make invoice claim errors and omissions, and not be in compliance with the Agreements, as noted in Finding #3b.

The State of California requires Sacramento LGBT and DHS to prepare cost report, cost settlement, and audits after the termination date of the Agreements. Since balance due (settlement amount) to Sacramento LGBT or DHS is calculated by taking the difference between amounts paid by DHS and actual expenses reported by Sacramento LGBT on the Cost Report, financial records not reflecting actual expenses for operating the Youth Program and Adult Program may impact the final amount due to Sacramento LGBT or DHS. Cost report and cost settlement not adequately substantiated by general ledger may result in incorrect payment due to Sacramento LGBT or DHS, State denial of claims, State disallowance of claims, and/or State findings for claims funded by Mental Health Service Act by the State during its review.

Recommendation

Sacramento LGBT should reconcile its general ledger to the invoice claims submitted to DHS on a monthly basis at minimum. The amounts claimed should agree to general ledger, and any differences should be researched and resolved in a timely manner. We recommend DHS contact Sacramento LGBT to develop an arrangement to resolve questioned costs.

DHS Management's Response

DHS will follow-up with Sacramento LGBT to ensure the amounts claimed agree to their general ledger, and any differences are researched and resolved in a timely manner. DHS will also contact Sacramento LGBT to develop an arrangement to resolve the questioned costs.